

BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2020

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**Belmond-Klemme Community School District
Board of Education and School District Officials
As of June 30, 2020**

Name	Title	Term Expires
Board of Education		
Rick McDaniel	President	2021
Sharon Barkema	Vice President	2023
Ryan Meyer	Board Member	2023
Jim Swenson	Board Member	2023
Michelle Murphy	Board Member	2023
Marc Schlichting	Board Member	2021
Gary Berkland	Board Member	2021
School Officials		
Dan Frazier	Superintendent	Indefinite
Theresa Greenfield	District Treasurer, Business Manager	Indefinite
Thelma Martinez	Board Secretary	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite

Independent Auditor's Report

To the Board of Education
Belmond-Klemme Community School District:
Belmond, Iowa

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Belmond-Klemme Community School District, Belmond, Iowa, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Belmond-Klemme Community School District as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 5 through 13 and 41 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

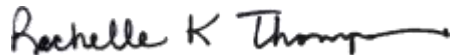
Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Belmond-Klemme Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the one year ended June 30, 2019 (which is not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the eight years ended June 30, 2018 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included on pages 47 through 54, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing procedures generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 11, 2020 on my consideration of the Belmond-Klemme Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Belmond-Klemme Community School District's internal control over financial reporting and compliance.



Rachelle K. Thompson, CPA
Hampton, Iowa

November 11, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Belmond-Klemme Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$9,812,657 in fiscal year 2019 to \$9,946,901 in fiscal year 2020, while General Fund expenditures decreased from \$9,703,195 in fiscal year 2019 to \$9,607,344 fiscal year 2020. The District's General Fund balance increased from \$1,350,171 at the end of fiscal year 2020 to \$1,686,456 at the end of fiscal year 2020, a 24.9% increase.
- The fiscal year 2020 General Fund revenue increase was primarily attributable to the levy of cash reserve funds. The decrease in expenditures was due primarily to a decrease in expenditures incurred in the instruction functional area.
- The districts total net position increased from \$12,880,381 to \$13,748,392, an increase of 6.7%. Total revenue decreased from \$12,511,627 in fiscal year 2019 to \$12,484,964 in fiscal year 2020, a 0.2% decrease. Total expenses decreased from \$11,705,119 in fiscal year 2019 to \$11,616,953 in fiscal year 2020, a 0.8% decrease compared to prior year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Belmond-Klemme Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental and business type activities services were financed in the short term as well as what remains for future spending. Fund financial statements report the Belmond-Klemme Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which the Belmond-Klemme Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District's internal service fund is used to account for flex benefits. The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.
- 3) *Fiduciary funds*: The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include a Private-Purpose Trusts Fund.
 - Private-Purpose Trusts Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

**Figure A-1
CONDENSED STATEMENT OF NET POSITION**

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Percentage Change June 30, 2019-2020
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 11,440,521	\$ 11,858,121	\$ 101,844	\$ 60,142	\$ 11,542,365	\$ 11,918,263	-3.2%
Capital assets	13,397,582	12,646,507	8,145	22,472	13,405,727	12,668,979	5.8%
Total Assets	24,838,103	24,504,628	109,989	82,614	24,948,092	24,587,242	1.5%
Deferred Outflows of Resources	1,509,243	2,008,022	42,558	55,571	1,551,801	2,063,593	-24.8%
Total Assets and Deferred Outflows of Resources	\$ 26,347,346	\$ 26,512,650	\$ 152,547	\$ 138,185	\$ 26,499,893	\$ 26,650,835	-0.6%
Long-term liabilities	\$ 5,282,984	\$ 5,690,257	\$ 124,558	\$ 135,710	\$ 5,407,542	\$ 5,825,967	-7.2%
Other liabilities	1,277,191	2,211,308	12,313	2,220	1,289,504	2,213,528	-41.7%
Total Liabilities	6,560,175	7,901,565	136,871	137,930	6,697,046	8,039,495	-16.7%
Deferred Inflows of Resources	6,025,050	5,707,342	29,405	23,617	6,054,455	5,730,959	5.6%
Net Position							
Net investment in capital assets	12,376,665	11,081,507	8,145	22,472	12,384,810	11,103,979	11.5%
Restricted	3,407,939	4,375,918	-	-	3,407,939	4,375,918	-22.1%
Unrestricted	(2,022,483)	(2,553,682)	(21,874)	(45,834)	(2,044,357)	(2,599,516)	21.4%
Total Net Position	13,762,121	12,903,743	(13,729)	(23,362)	13,748,392	12,880,381	6.7%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 26,347,346	\$ 26,512,650	\$ 152,547	\$ 138,185	\$ 26,499,893	\$ 26,650,835	-0.6%

The District's total net position increased 6.7%, or approximately \$868,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$968,000, or 22.1%, over the prior year. The decrease was primarily a result of the use of restricted funds for infrastructure projects.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$555,000, or 21.4%. This increase in unrestricted net position was primarily a result of the increase in the unassigned General Fund balance.

Figure A-2 shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-2
CHANGES IN NET POSITION

	Governmental Activities		Business- Type Activities		Total District		Total
	June 30,		June 30,		June 30,		Percentage
	2020	2019	2020	2019	2020	2019	Change
							June 30,
							2019-2020
Revenue							
Program Revenue							
Charges for service \$	702,560	\$ 801,793	\$ 75,480	\$ 137,997	\$ 778,040	\$ 939,790	-17.2%
Operating grants and contributions	802,241	772,235	349,629	296,218	1,151,870	1,068,453	7.8%
Capital grants and contributions	-	-	-	-	-	-	#DIV/0!
General Revenue							
Property tax	4,792,275	4,627,826	-	-	4,792,275	4,627,826	3.6%
Income surtax	111,997	105,043	-	-	111,997	105,043	6.6%
Statewide sales, services and use tax	820,424	818,858	-	-	820,424	818,858	0.2%
Unrestricted state grants	4,669,144	4,776,507	-	-	4,669,144	4,776,507	-2.2%
Unrestricted investment earnings	62,290	110,700	486	524	62,776	111,224	-43.6%
Other	82,311	63,926	16,127	-	98,438	63,926	54.0%
Total Revenue	12,043,242	12,076,888	441,722	434,739	12,484,964	12,511,627	-0.2%
Program Expenses							
Instruction	7,517,799	7,379,188	-	-	7,517,799	7,379,188	1.9%
Support services	2,866,837	3,005,412	-	-	2,866,837	3,005,412	-4.6%
Noninstructional programs	3,888	3,257	432,089	455,734	435,977	458,991	-5.0%
Other expenses	796,340	861,528	-	-	796,340	861,528	-7.6%
Total Program Expenses	11,184,864	11,249,385	432,089	455,734	11,616,953	11,705,119	-0.8%
Change in Net Position	858,378	827,503	9,633	(20,995)	868,011	806,508	7.6%
Net Position - Beginning of Year	12,903,743	12,076,240	(23,362)	(2,367)	12,880,381	12,073,873	6.7%
Net Position - End of Year	\$ 13,762,121	\$ 12,903,743	\$ (13,729)	\$ (23,362)	\$ 13,748,392	\$ 12,880,381	6.7%

In fiscal year 2020, property tax and unrestricted state grants accounted for 78.6% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenues. The District's total revenue was approximately \$12.5 million, of which approximately \$12.0 million was for governmental activities and less than \$0.5 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 0.2% decrease in revenue and a 0.8% decrease in expenses.

Governmental Activities

Revenue for governmental activities was \$12,043,242 and expenses were \$11,184,864 for the year ended June 30, 2020.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2020 compared to those expenses for the year ended June 30, 2019.

Figure A-3
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES

	Total Cost of Services			Net Cost of Services		
	2020	2019	Percentage Change 2020-2019	2020	2019	Percentage Change 2020-2019
Instruction	\$ 7,517,799	\$ 7,379,188	1.9%	\$ 6,384,176	\$ 6,202,583	2.9%
Support services	2,866,837	3,005,412	-4.6%	2,859,324	2,970,923	-3.8%
Non-instructional	3,888	3,257	19.4%	3,888	3,257	19.4%
Other expenses	796,340	861,528	-7.6%	432,675	498,594	-13.2%
Total	\$ 11,184,864	\$ 11,249,385	-0.6%	\$ 9,680,063	\$ 9,675,357	0.0%

For the year ended June 30, 2020:

- The cost financed by users of the District's programs was \$702,560.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$802,241.
- The net cost of governmental activities was financed with \$5,724,696 of property and other taxes and \$4,669,144 of unrestricted state grants, \$62,290 in interest income and \$82,311 in other general revenue.

Business Type Activities

Revenue for business type activities during the year ended June 30, 2020 was \$441,722, representing a 0.2% increase over the prior year, while expenses totaled \$432,089, a 0.5% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenue of these activities was comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Belmond-Klemme Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,094,395, which was less than last year's ending fund balances of \$5,526,522. The primary reason for the decrease in combined fund balances at the end of fiscal year 2020 is investment in district infrastructure projects and debt retirement.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the result of many factors. Growth during the year in local source revenue resulted in an increase in revenue. Revenue exceeded expenditures resulting in a \$336,285 increase in fund balance to \$1,686,456 at June 30, 2020.
- The Debt Service Fund balance increased from \$85,250 at the end of fiscal year 2019 to \$87,859 at the end of fiscal year 2020.
- The Capital Projects Fund balance decreased from \$2,921,354 at the end of fiscal year 2019 to \$2,227,686 at the end of fiscal year 2020. The decrease in fund balance was primarily due to the investment in District infrastructure projects.

Proprietary Fund Highlights

School Nutrition Fund net position increased from a deficit of \$23,362 at the end of fiscal year 2019 to a deficit of \$13,729 at the end of fiscal year 2020, a increase of approximately 41.2%. The increase is primarily due to an increase in federal source revenue.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Belmond-Klemme Community School District amended its budget one time to reflect additional expenditures associated with infrastructure projects.

The District's total revenue was \$21,335 less than total budgeted revenue, a variance of approximately 0.2%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested approximately \$13.4 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-4) This represents a net increase of 5.8% over last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation/amortization expense for the year was \$532,536.

The original cost of the District's capital assets was approximately \$23.0 million. Governmental funds account for approximately \$22.9 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest changes in capital asset activity during the year occurred in the construction in progress and machinery and equipment categories. The District's construction in progress totaled \$1,044,995 at June 30, 2020, compared to \$175,411 reported at June 30, 2019. This significant increase resulted from construction activity related to facility improvement projects. The District's machinery and equipment totaled \$547,618 at June 30, 2020, compared to \$512,307 reported at June 30, 2019. This increase resulted from the addition of vehicles to the transportation fleet.

Figure A-4
CAPITAL ASSETS, NET OF DEPRECIATION

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Percentage Change 2020-2019
	2020	2019	2020	2019	2020	2019	
Land	\$ 71,314	\$ 71,314	\$ -	\$ -	\$ 71,314	\$ 71,314	0.0%
Construction in progress	1,044,995	175,411	-	-	1,044,995	175,411	495.7%
Buildings and improvements	11,741,800	11,909,947	-	-	11,741,800	11,909,947	-1.4%
Machinery and equipment	539,473	489,835	8,145	22,472	547,618	512,307	6.9%
Total	\$ 13,397,582	\$12,646,507	\$ 8,145	\$ 22,472	\$ 13,405,727	\$ 12,668,979	5.8%

Long-Term Debt

At June 30, 2020, the District had \$1,020,917 of total long-term debt outstanding. This represents a decrease of approximately 44.9% over last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$15.6 million.

Figure A-5
OUTSTANDING LONG-TERM OBLIGATIONS

	Total District June 30,		Total Percentage Change 2020-2019
	2020	2019	
General obligation bonds	\$ 875,000	\$ 1,565,000	-44.1%
Lease purchase obligation	145,917	288,168	-49.4%
Total	\$ 1,020,917	\$ 1,853,168	-44.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- There is uncertainty in future enrollment, which drives the District's revenues. There is potential for enrollment decline with the loss of a major employer at the end of 2020. There is also decline potential for increased homeschooling due to the COVID-19 pandemic. However, the Department of Education projections indicate steady to increasing enrollment over the next five years.
- The State of Iowa set the supplemental state aid for fiscal year 2021 at 2.3%. This inadequate level of general funding for school district operations will continue to stress the financial position of the school district.
- The Iowa Legislature is required to set school funding two years in advance, but has not followed the law in recent years. The District's inability to predict future revenues will continue to have a significant impact on future budget discussions.
- There is great uncertainty in current and future economic stability. The COVID-19 global pandemic has caused temporary closures of non-essential organizations and ongoing safety restrictions. It is unclear what the financial impact will be for the district.
- House File 576 was approved by the 2020 Legislature and signed by the Governor. This bill removes the SAVE (sales tax) sunset of 2029 and extends the sunset to 2051. This gives school districts assurance of future sales tax dollars and allows them greater flexibility to complete school district capital projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Theresa Greenfield, Business Manager, Belmond-Klemme Community School District, 303 East Main Street, Belmond, Iowa, 50421.

Basic Financial Statements

Belmond-Klemme Community School District

Statement of Net Position

As of June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash, cash equivalents and pooled investments	\$ 6,117,981	\$ 64,774	\$ 6,182,755
Receivables, Net of Allowance for Uncollectible Amounts			
Property Taxes			
Current year delinquent	112,458	-	112,458
Succeeding year	4,963,524	-	4,963,524
Accounts	20,855	22,036	42,891
Due from other governments	225,703	-	225,703
Inventories and prepaid expenses	-	15,034	15,034
Capital assets, net of accumulated depreciation	13,397,582	8,145	13,405,727
Total Assets	24,838,103	109,989	24,948,092
Deferred Outflows of Resources			
Pension-related deferred outflows	1,445,825	40,121	1,485,946
OPEB related deferred outflows	63,418	2,437	65,855
Total Deferred Outflows of Resources	1,509,243	42,558	1,551,801
Total Assets and Deferred Outflows of Resources	\$ 26,347,346	\$ 152,547	\$ 26,499,893
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 424,641	\$ 6,405	\$ 431,046
Salaries and benefits payable	845,003	-	845,003
Unearned revenue	-	5,908	5,908
Accrued interest payable	7,547	-	7,547
Long-Term Liabilities			
Portion Due Within One Year			
General obligation bonds	695,000	-	695,000
Lease purchase obligation	145,917	-	145,917
Portion due after one year			
General obligation bonds	180,000	-	180,000
Net pension liability	3,895,394	110,470	4,005,864
Net OPEB Liability	366,673	14,088	380,761
Total Liabilities	6,560,175	136,871	6,697,046
Deferred Inflows of Resources			
Unavailable property tax revenue	4,859,256	-	4,859,256
Other	109,914	-	109,914
Pension-related deferred inflows	1,046,081	29,028	1,075,109
OPEB-related deferred inflows	9,799	377	10,176
Total Deferred Inflows of Resources	6,025,050	29,405	6,054,455
Net Assets			
Net investment in capital assets	12,376,665	8,145	12,384,810
Restricted for:			
Categorical funding	256,938	-	256,938
Debt service	87,859	-	87,859
Management levy purposes	1,021,912	-	1,021,912
School infrastructure	1,969,759	-	1,969,759
Physical plant and equipment	257,927	-	257,927
Student activities	70,482	-	70,482
Other	46,320	-	46,320
Unrestricted	(2,325,741)	(21,874)	(2,347,615)
Total Net Position	13,762,121	(13,729)	13,748,392
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 26,347,346	\$ 152,547	\$ 26,499,893

See Notes to the Financial Statements

Statement of Activities

Year Ended June 30, 2020

	Expenses	Charges for Service	Operating Grants & Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental Activities						
Instruction						
Regular	\$ 3,917,109	\$ 298,806	\$ 386,287	\$ (3,232,016)	\$ -	\$ (3,232,016)
Special	1,672,433	241,644	36,594	(1,394,195)	-	(1,394,195)
Other	1,928,257	154,597	15,695	(1,757,965)	-	(1,757,965)
Total Instruction	<u>7,517,799</u>	<u>695,047</u>	<u>438,576</u>	<u>(6,384,176)</u>	<u>-</u>	<u>(6,384,176)</u>
Support Services						
Student	272,741	-	-	(272,741)	-	(272,741)
Instructional staff	464,349	-	-	(464,349)	-	(464,349)
Administration	1,066,089	-	-	(1,066,089)	-	(1,066,089)
Operation and maintenance of plant	79,874	7,513	-	(72,361)	-	(72,361)
Transportation	983,784	-	-	(983,784)	-	(983,784)
Total Support Services	<u>2,866,837</u>	<u>7,513</u>	<u>-</u>	<u>(2,859,324)</u>	<u>-</u>	<u>(2,859,324)</u>
Non-instructional programs	<u>3,888</u>	<u>-</u>	<u>-</u>	<u>(3,888)</u>	<u>-</u>	<u>(3,888)</u>
Other Expenditures						
Facilities acquisition	53,091	-	-	(53,091)	-	(53,091)
Long-term debt interest and fiscal charges	19,693	-	-	(19,693)	-	(19,693)
AEA flowthrough	363,665	-	363,665	-	-	-
Depreciation - unallocated*	359,891	-	-	(359,891)	-	(359,891)
Total Other Expenditures	<u>796,340</u>	<u>-</u>	<u>363,665</u>	<u>(432,675)</u>	<u>-</u>	<u>(432,675)</u>
Total Governmental Activities	<u>11,184,864</u>	<u>702,560</u>	<u>802,241</u>	<u>(9,680,063)</u>	<u>-</u>	<u>(9,680,063)</u>
Business-Type Activities						
Noninstructional programs						
Food service operations	<u>432,089</u>	<u>75,480</u>	<u>349,629</u>		<u>(6,980)</u>	<u>(6,980)</u>
Total	<u>\$ 11,616,953</u>	<u>\$ 778,040</u>	<u>\$ 1,151,870</u>	<u>(9,680,063)</u>	<u>(6,980)</u>	<u>(9,687,043)</u>
General Revenue (Expense)						
Property tax levied for						
General purposes				3,782,166	-	3,782,166
Debt service				702,384	-	702,384
Capital outlay				307,725	-	307,725
Income surtax				111,997	-	111,997
Statewide sales and services tax				820,424	-	820,424
Unrestricted state grants				4,669,144	-	4,669,144
Unrestricted investment earnings				62,290	486	62,776
Other				82,311	16,127	98,438
Total General Revenue				<u>10,538,441</u>	<u>16,613</u>	<u>10,555,054</u>
Change in Net Position				<u>858,378</u>	<u>9,633</u>	<u>868,011</u>
Net Position - Beginning of Year				<u>12,903,743</u>	<u>(23,362)</u>	<u>12,880,381</u>
Net Position - End of Year				<u>\$ 13,762,121</u>	<u>\$ (13,729)</u>	<u>\$ 13,748,392</u>

*This amount excludes the depreciation included in the direct expenses of the various programs

See Notes to the Financial Statements

Balance Sheet - Governmental Funds

As of June 30, 2020

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 2,542,221	\$ 81,626	\$ 2,403,978	\$ 1,087,112	\$ 6,114,937
Receivables, Net of Allowance for Uncollectible Amounts					
Property Tax					
Current year delinquent	34,317	6,233	71,818	90	112,458
Succeeding year	3,924,575	707,956	320,994	9,999	4,963,524
Accounts	7,000	-	6,939	6,916	20,855
Due from other governments	225,703	-	-	-	225,703
Total Assets	\$ 6,733,816	\$ 795,815	\$ 2,803,729	\$ 1,104,117	\$ 11,437,477
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 167,868	\$ -	\$ 255,049	\$ 1,724	\$ 424,641
Salaries and benefits payable	845,003	-	-	-	845,003
Total Liabilities	1,012,871	-	255,049	1,724	1,269,644
Deferred Inflows of Resources					
Unavailable Revenue					
Succeeding year property tax	3,924,575	707,956	320,994	9,999	4,963,524
Other	109,914	-	-	-	109,914
Total Deferred Inflows of Resources	4,034,489	707,956	320,994	9,999	5,073,438
Fund Balances					
Restricted for:					
Categorical funding	256,938	-	-	-	256,938
Debt service	-	87,859	-	-	87,859
School infrastructure	-	-	1,969,759	-	1,969,759
Physical plant and equipment	-	-	257,927	-	257,927
Student activities	-	-	-	70,482	70,482
Management levy purposes	-	-	-	1,021,912	1,021,912
Other	46,320	-	-	-	46,320
Unassigned					
General	1,383,198	-	-	-	1,383,198
Total Fund Balances	1,686,456	87,859	2,227,686	1,092,394	5,094,395
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,733,816	\$ 795,815	\$ 2,803,729	\$ 1,104,117	\$ 11,437,477

See Notes to the Financial Statements

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

As of June 30, 2020

Total Fund Balances for Governmental Funds (Page 16)	\$ 5,094,395
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***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.....	13,397,582
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An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	3,044
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Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.....	(7,547)
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Instructional support surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds	104,268
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Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Pension-related deferred outflows of resources	\$ 1,445,825	
OPEB-related deferred outflows of resources	63,418	
Pension-related deferred inflows resources.....	(1,046,081)	
OPEB-related deferred inflows resources	<u>(9,799)</u>	453,363

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds, as follows:

General obligation bonds	\$ (875,000)	
Lease purchase obligation	(145,917)	
Net pension liability	(3,895,394)	
Net OPEB liability	<u>(366,673)</u>	<u>(5,282,984)</u>

Net Position of Governmental Activities (Page 14)	<u>\$13,762,121</u>
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Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

As of June 30, 2020

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenue					
Local Sources					
Local tax	\$ 3,772,299	\$ 702,384	\$ 307,725	\$ 9,866	\$ 4,792,274
Tuition	559,527	-	-	-	559,527
Other	182,990	2,246	35,783	201,312	422,331
State sources	5,053,870	11,962	825,665	173	5,891,670
Federal sources	378,215	-	-	-	378,215
Total Revenue	9,946,901	716,592	1,169,173	211,351	12,044,017
Expenditures					
Current					
Instruction					
Regular	3,738,265	-	518	58,621	3,797,404
Special	1,618,350	-	-	-	1,618,350
Other	1,640,107	-	35,331	161,045	1,836,483
Total Instruction	6,996,722	-	35,849	219,666	7,252,237
Support Services					
Student	256,159	-	-	-	256,159
Instructional staff	218,724	-	372,841	-	591,565
Administration	909,066	-	123,110	-	1,032,176
Operation and maintenance of plant	-	-	891	56,309	57,200
Transportation	863,008	-	99,028	12,113	974,149
Total Support Services	2,246,957	-	595,870	68,422	2,911,249
Non-Instructional Programs	-	-	-	3,888	3,888
Other Expenditures					
Facilities acquisition	-	-	1,231,122	-	1,231,122
Long-Term Debt					
Principal	-	690,000	-	-	690,000
Interest and fiscal charges	-	23,983	-	-	23,983
AEA flowthrough	363,665	-	-	-	363,665
Total Other Expenditures	363,665	713,983	1,231,122	-	2,308,770
Total Expenditures	9,607,344	713,983	1,862,841	291,976	12,476,144
Revenue Over (Under)					
Expenditures	339,557	2,609	(693,668)	(80,625)	(432,127)
Other Financing Sources (Uses)					
Transfers in	-	-	-	3,272	3,272
Transfers out	(3,272)	-	-	-	(3,272)
Total Other Financing Sources (Uses)	(3,272)	-	-	3,272	-
Change in Fund Balances	336,285	2,609	(693,668)	(77,353)	(432,127)
Fund Balances - Beginning of Year	1,350,171	85,250	2,921,354	1,169,747	5,526,522
Fund Balances - End of Year	\$ 1,686,456	\$ 87,859	\$ 2,227,686	\$ 1,092,394	\$ 5,094,395

See Notes to the Financial Statements

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2020

Change in Fund Balances – Total Governmental Funds (Page 18) \$ (432,127)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the statement of activities and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense for the year are as follows:

Expenditures for capital outlays	\$1,270,630	
Depreciation expense	<u>(519,555)</u>	751,075

Instructional support surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.....	(775)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. There were no current year issuances.

Repaid	832,251
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due	4,290
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The current year District employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position.....	494,832
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Pension expense	(740,004)	
Other postemployment benefits	<u>(51,164)</u>	<u>(791,168)</u>

Change in Net Position of Governmental Activities (Page 15)..... \$ 858,378

Statement of Net Position – Proprietary Funds

Year Ended June 30, 2020

	Nonmajor Enterprise	Internal Service
	School Nutrition	Flex Benefits
Assets and Deferred Outflows of Resources		
Current Assets		
Cash, cash equivalents and pooled investments	\$ 64,774	\$ 3,044
Accounts receivable	22,036	-
Inventories and prepaid expenses	15,034	-
Total Current Assets	101,844	3,044
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	8,145	-
Total Assets	109,989	3,044
Deferred Outflows of Resources		
Pension-related deferred outflows	40,121	-
OPEB related deferred outflows	2,437	-
Total Deferred Outflows of Resources	42,558	-
Total Assets and Deferred Outflows of Resources	\$ 152,547	\$ 3,044
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 6,405	\$ -
Unearned revenue	5,908	-
Total Current Liabilities	12,313	-
Net Pension Liability	110,470	-
Total OPEB Liability	14,088	-
Total Liabilities	136,871	-
Deferred Inflows of Resources		
Pension-related deferred inflows	29,028	-
OPEB-related deferred inflows	377	-
Total Deferred Inflows of Resources	29,405	-
Net Position		
Net investment in capital assets	8,145	-
Unrestricted	(21,874)	3,044
Total Net Position	(13,729)	3,044
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 152,547	\$ 3,044

See Notes to the Financial Statements

Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2020

	Nonmajor Enterprise School Nutrition	Internal Service Flex Benefits
Operating Revenue		
Local Sources		
Charges for service	\$ 75,480	\$ -
Other receipts	17,474	-
Health insurance contributions	-	52,212
Total Operating Revenue	92,954	52,212
Operating Expenses		
Noninstructional Programs		
Food Service Operations		
Salaries and benefits	200,437	-
Purchased services and supplies	218,672	-
Depreciation	12,980	-
Health insurance premiums, claims and fees	-	52,261
Total Operating Expenses	432,089	52,261
Operating loss	(339,135)	(49)
Nonoperating Revenue (Expense)		
State sources	4,386	-
Federal sources	345,243	-
Interest on investments	486	-
Loss on disposal of assets	(1,347)	-
Total Nonoperating Revenue	348,768	-
Change in Net Position	9,633	(49)
Net Position - Beginning of Year	(23,362)	3,093
Net Position - End of Year	\$ (13,729)	\$ 3,044

See Notes to the Financial Statements

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2020

	Nonmajor Enterprise	Internal Service
	School Nutrition	Flex Benefits
Cash Flows From Operating Activities		
Cash received from sale of lunches and breakfasts	\$ 64,883	\$ -
Cash received from other	17,474	52,212
Cash paid to employees for services	(190,893)	-
Cash paid to suppliers for goods or services	(223,246)	-
Cash paid for insurance premiums, claims and fees	-	(53,691)
Net Cash Used in Operating Activities	(331,782)	(1,479)
Cash Flows From Noncapital Financing Activities		
Interfund borrowing	(29,364)	-
State grants received	4,386	-
Federal grants received	349,256	-
Net Cash Provided by Noncapital Financing Activities	324,278	-
Cash Flows From Investing Activities		
Interest on investments	486	-
Net Decrease in Cash, Cash Equivalents and Pooled Investments	(7,018)	(1,479)
Cash, Cash Equivalents and Pooled Investments - Beginning of Year	71,792	4,523
Cash, Cash Equivalents and Pooled Investments - End of Year	\$ 64,774	\$ 3,044
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities		
Loss from operations	\$ (339,135)	\$ (49)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities		
Commodities used	25,351	-
Depreciation	12,980	-
Changes in Assets and Liabilities		
Increase in receivables	(10,597)	-
(Increase) decrease in inventories and prepaid expenses	(8,759)	-
Increase in deferred outflows of resources	13,013	-
Increase (decrease) in accounts payable	4,185	(1,430)
Decrease in due to others	(29,364)	-
Increase in unearned revenue	5,908	-
Increase in net pension liability	(11,690)	-
increase in total OPEB liability	538	-
Increase in deferred inflows of resources	5,788	-
Net Cash Used in Operating Activities	\$ (331,782)	\$ (1,479)

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2020, the District received \$34,110 of federal commodities.

See Notes to the Financial Statements.

Statement of Fiduciary Net Position – Fiduciary Funds

As of June 30, 2020

	Private Purpose Trusts
Assets	
Cash, cash equivalents and pooled investments	\$ 1,566,730
Accounts receivable	1,173
Total Assets	<u>1,567,903</u>
Liabilities and Net Position	
Liabilities	
Accounts payable	\$ -
Net Position	
Restricted for special purposes	<u>1,567,903</u>
Total Liabilities and Net Position	<u>\$ 1,567,903</u>

See Notes to the Financial Statements

Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Year Ended June 30, 2020

	Private Purpose Trusts
Additions	
Local Sources	
Investment income	\$ 36,482
Gifts and contributions	81,840
Total Additions	118,322
Deductions	
Instruction	
Regular	
Scholarships awarded	82,400
Excess of Additions Over Deductions	35,922
Other Financing Uses	
Unrealized loss	(85,194)
Change in Net Position	(49,272)
Net Position - Beginning of Year	1,617,175
Net Position - End of Year	\$ 1,567,903

See Notes to the Financial Statements

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Belmond-Klemme Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Belmond, Klemme, Goodell and Rowan, Iowa and the predominate agricultural territory in Wright, Hancock and Franklin Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the Belmond-Klemme Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Belmond-Klemme Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright and Hancock County Assessor's Conference Board.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The statement of net position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those clearly identifiable with a specific function. Program revenue includes 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenue and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenue to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary funds are the School Nutrition Fund, a nonmajor enterprise fund, used to account for the food service operations of the District and the Internal Service Fund, used to account for the District's flex benefits.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund includes the following:

The *Private Purpose Trust Fund* is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property tax, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenue.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment at Iowa Schools Joint Investment Trust (ISJIT) which is stated at amortized cost and nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable

Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets

Capital assets, which include property, machinery and equipment and intangibles acquired after July 1, 1980, are reported in the applicable governmental or business type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2020. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	2,500
Machinery and Equipment	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 Years
Land improvements	20 - 50 Years
Intangibles	5 - 10 Years
Machinery and equipment.....	5 - 15 Years

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable

Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unrecognized items not yet charged to pension expense.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2020, the District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$6,322,312. There were no limitations on restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

Various investments have been donated to the District over the past several years for the purpose of establishing a scholarship fund. These investments were made by the donor's and donated to the District as in-kind gifts. The District has elected to retain these investments so long as the investment complies with the principal goals for purposes of investment by the District. At June 30, 2020, all such donated investments are held in the Scholarship Fund and consisted of the following:

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

Stock/Mutual Fund	Number of Shares	Fair Value	S & P Rating
Wells Fargo & Co	1,632	\$ 41,779	AAA, A-1
CenterPoint Energy, Inc.	272	5,709	BBB+, A-2
CenturyLink, Inc.	28	281	BB
Daimler AG	139	5,625	BBB+, A-2
Energy Inc. Com.	120	7,115	A, A-2
Exxon Mobil Corp	400	17,888	AA, A-1+
Frontier Communications Corp	2	0	B
NRG Energy, Inc.	26	847	BB+
OGE Energy, Inc.	400	12,144	BBB+, A-2
Southern Company	250	12,963	A-, A-2
Verizon Communications	183	10,089	BBB+, A-2
Federated Fund U.S. Government Securities A	20,738	156,573	AAA
Federated MDT Large Cap Value Fund A	11,833	287,889	Not rated
Total		<u>\$ 647,109</u>	

Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy does not formally address credit risk. The credit ratings for the District's investments are included in the table above. Investments issued or explicitly guaranteed by the U.S. government are not subject to credit risk in accordance with GASB Statement No. 40.

Fair value measurements - The District uses the fair value hierarchy established by generally accepted accounting principles, based on the valuation inputs used to measure the fair value of the asset. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices for identical assets in active markets. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

All the above stocks and mutual funds are valued at June 30, 2020, using quoted prices in active markets (Level 1 inputs).

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer To	Transfer From	Amount
Student Activity	General	<u>\$ 3,272</u>

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The above transfer is to reimburse the Student Activity Fund for the cost of protective and safety gear required for athletic competition.

Notes to the Financial Statements

(4) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 71,314	\$ -	\$ -	\$ 71,314
Construction in progress	175,411	940,235	70,651	1,044,995
Total Capital Assets Not Being Depreciated	246,725	940,235	70,651	1,116,309
Capital Assets Being Depreciated				
Buildings and improvements	17,769,411	171,996	-	17,941,407
Machinery and equipment	4,866,484	229,050	-	5,095,534
Total Capital Assets Being Depreciated	22,635,895	401,046	-	23,036,941
Less Accumulated Depreciation for				
Buildings and improvements	5,859,464	340,143	-	6,199,607
Machinery and equipment	4,376,649	179,412	-	4,556,061
Total Accumulated Depreciation	10,236,113	519,555	-	10,755,668
Total Capital Assets Being Depreciated, Net	12,399,782	(118,509)	-	12,281,273
Governmental Activities Capital Assets, Net	\$12,646,507	\$ 821,726	\$ 70,651	\$13,397,582
Business-Type Activities				
Machinery and equipment	\$ 156,263	\$ -	\$ 500	\$ 155,763
Less accumulated depreciation	133,791	12,980	(847)	147,618
Business-Type Activities Capital Assets, Net	\$ 22,472	\$ (12,980)	\$ 1,347	\$ 8,145

Depreciation was charged to the following functions:

Governmental Activities

Instruction	
Regular	\$ 6,625
Special	1,160
Other	25,149
Support Services	
Student	6,629
Instructional staff	8,143
Administration	5,051
Operation and maintenance of plant	13,695
Transportation	93,212
	159,664
Unallocated	359,892
Total Depreciation Expense - Governmental Activities	\$ 519,556

Business-Type Activities

Food service operations	\$ 12,980
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Notes to the Financial Statements

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 1,565,000	\$ -	\$ 690,000	\$ 875,000	\$ 695,000
Capital lease	288,168	-	142,251	145,917	145,917
Net pension liability	4,316,657	-	421,263	3,895,394	-
Total OPEB liability	352,683	13,990	-	366,673	-
Total	\$ 6,522,508	\$ 13,990	\$ 1,253,514	\$ 5,282,984	\$ 840,917
Business-Type Activities					
Net pension liability	\$ 122,160	\$ -	\$ 11,690	\$ 110,470	\$ -
Total OPEB liability	13,550	538	-	14,088	-
Total	\$ 135,710	\$ 538	\$ 11,690	\$ 124,558	\$ -

General Obligation Bonds

Details of the District's June 30, 2020 general obligation indebtedness are as follows:

Year Ending June 30,	Bonds Issued February 26, 2015			
	Interest Rates	Principal	Interest	Total
2021	1.45%	\$ 695,000	\$ 17,838	\$ 712,838
2022	1.60%	180,000	7,760	187,760
Total		\$ 875,000	\$ 25,598	\$ 900,598

In February, 2015, the District issued \$4,945,000 of general obligation refunding bonds to advance refund bonds issued in fiscal year 2006. The bonds bear interest at rates ranging from 1.45% to 1.60% per annum. During the year ended June 30, 2020, principal and interest paid were \$690,000 and \$21,583, respectively.

(6) Pension and Retirement Benefits

Plan Description

IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Notes to the Financial Statements

(6) Pension and Retirement Benefits

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to one percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 totaled \$508,563.

Notes to the Financial Statements

(6) Pension and Retirement Benefits

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability of \$4,005,864 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. As of June 30, 2019, the District's proportion was 0.0691780%, which was a decrease of 0.000965% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$760,539. As of June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,105	\$ 144,030
Changes of assumptions	429,085	---
Net difference between projected and actual earnings on IPERS' investments	---	451,412
Changes in proportion and differences between District Contributions and proportionate share of contributions	537,193	479,667
District contributions subsequent to the measurement date	508,563	---
Total.....	<u>\$ 1,485,946</u>	<u>\$ 1,075,109</u>

\$508,563 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2021	21,059
2022	(101,789)
2023	42,089
2024	(43,359)
2025	(15,726)
Total.....	<u>\$ (97,726)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rate of salary increase (effective June 30, 2017)	3.25% to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

Notes to the Financial Statements

(6) Pension and Retirement Benefits

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	5.60%
International Equity	15.0	6.08
Global Smart Beta Equity	3.0	5.82
Core Plus Fixed Income	27.0	1.71
Public Credit	3.5	3.32
Public Real Assets	7.0	2.81
Cash	1.0	(0.21)
Private Equity	11.0	10.13
Private Real Assets	7.5	4.76
Private Credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 7,113,121	\$ 4,005,864	\$ 1,399,531

IPERS' Fiduciary Net Position

Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Notes to the Financial Statements

(6) Pension and Retirement Benefits

Payables to IPERS

All legally required employer contributions and legally required employee contributions which have been withheld from employee wages were remitted by the District to IPERS by June 30, 2020.

(7) Other Postemployment Benefits (OPEB)

Plan Description

The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees, spouses and their dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the Belmond-Klemme Community School District and are eligible to participate in the group health plan, are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. As of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	10
Active employees	<u>125</u>
Total	<u>135</u>

Total OPEB Liability

The District's total OPEB liability of \$380,761 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2020)	3.00% per annum.
Rates of salary increase (effective June 30, 2020)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2020)	3.50% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 20120)	7.50% initial rate decreasing by 0.5% annually to an ultimate rate of 5.0%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2017 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Notes to the Financial Statements

(7) Other Postemployment Benefits (OPEB)

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability – Beginning of Year.....	<u>\$ 366,233</u>
Changes for the Year	
Service cost.....	30,538
Interest	13,207
Changes in benefit terms.....	---
Differences between expected and actual experience	(11,155)
Changes of assumptions	1,519
Benefit payments.....	<u>(19,581)</u>
Net Changes.....	<u>14,528</u>
Total OPEB Liability – End of Year.....	<u>\$ 380,761</u>

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability.....	\$ 409,278	\$ 380,761	\$ 354,534

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current healthcare cost trend rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Total OPEB Liability.....	\$ 347,423	\$ 380,761	\$ 419,748

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$51,164. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ (10,176)	\$ 25,788
Changes of assumptions	---	40,067
Total.....	<u>\$ (10,176)</u>	<u>\$ 65,855</u>

Notes to the Financial Statements

(7) Other Postemployment Benefits (OPEB)

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ 7,419
2022	7,419
2023	7,419
2024	7,419
2025	7,419
Later years	18,584
Total.....	<u>\$ 55,679</u>

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$363,665 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance unless transferred to the District's flexibility account.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Gifted and talented program	\$ 27,589
Home school assistance.....	4,258
Teacher salary supplement	21,024
Successful progression for early readers.....	46,010
Teacher leadership supplement.....	64,405
Educator quality, professional development.....	92,873
Market factor incentives.....	779
Total.....	<u>\$ 256,938</u>

Notes to the Financial Statements

(11) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenue that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenue to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Property tax revenue of the District was reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
Franklin County	Urban Renewal and Economic Development Projects	\$ 82,000
City of Belmond	Urban Renewal and Economic Development Projects	\$ 9,400

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2020, this reimbursement amounted to \$42,556.

(12) Construction Commitments

The District entered into contracts totaling approximately \$2.3 million for Football/Track Stadium Improvements and a High School Renovation Project. As of June 30, 2020, costs of approximately \$1.1 million had been incurred against the contract. The balance remaining at June 30, 2020 of approximately \$1.2 million will be paid as work on the projects progresses.

(13) Subsequent Events

Management has evaluated subsequent events through November 11, 2020, the date which the financial statements were available to be issued.

(14) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, *Leases*. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

(15) Contingency

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the District, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact of the District's operations and finances.

Required Supplementary Information

**Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances – Budget to Actual – All Governmental Funds and Proprietary Fund
Required Supplementary Information**

Year Ended June 30, 2020

	<u>Actual</u>		<u>Budgeted Amounts</u>			
	Governmental Funds	Proprietary Fund	Total	Original	Final	Final to Actual Variance
Revenue						
Local Sources	\$ 5,774,132	\$ 93,440	\$ 5,867,572	\$ 5,888,026	\$ 5,888,026	\$ (20,454)
State sources	5,891,670	4,386	5,896,056	5,926,730	5,926,730	(30,674)
Federal sources	378,215	345,243	723,458	693,665	693,665	29,793
Total Revenue	12,044,017	443,069	12,487,086	12,508,421	12,508,421	(21,335)
Expenditures						
Instruction	7,252,237	-	7,252,237	7,509,067	7,904,210	651,973
Support Services	2,911,249	-	2,911,249	3,000,674	3,500,568	589,319
Noninstructional programs	3,888	432,089	435,977	452,540	516,876	80,899
Other expenditures	2,308,770	-	2,308,770	1,664,678	3,024,715	715,945
Total Expenditures	12,476,144	432,089	12,908,233	12,626,959	14,946,369	2,038,136
Revenue Over (Under) Expenditures	(432,127)	10,980	(421,147)	(118,538)	(2,437,948)	2,016,801
Other financing sources (uses), net	-	(1,347)	(1,347)	9,000	9,000	10,347
Change in fund balance	(432,127)	9,633	(422,494)	(109,538)	(2,428,948)	2,027,148
Balances beginning of year	5,526,522	(23,362)	5,503,160	5,809,514	5,507,059	(3,899)
Balances end of year	\$ 5,094,395	\$ (13,729)	\$ 5,080,666	\$ 5,699,976	\$ 3,078,111	\$ 2,023,249

See accompanying Independent Auditor’s Report

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2020

This budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$2,319,410.

During the year ended June 30, 2020, the District did not exceed its General Fund unspent authorized budget.

**Schedule of District’s Proportionate Share of the Net Pension Liability –
Iowa Public Employees’ Retirement System
Required Supplementary Information**

Last Six Years* (In Thousands)

	2020	2019	2018	2017	2016	2015
District’s proportion of the net pension liability	0.0691780%	0.070143%	0.055072%	0.064763%	0.080474%	0.067638%
District’s proportionate share of the net pension liability	\$ 4,006	\$ 4,439	\$ 3,668	\$ 4,076	\$ 3,976	\$ 2,682
District’s covered payroll.....	\$ 5,265	\$ 4,648	\$ 4,101	\$ 4,782	\$ 5,497	\$ 4,423
District’s proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	95.50%	89.44%	85.24%	72.33%	60.64%
IPERS’ net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor’s report.

Schedule of District’s Contributions – Iowa Public Employees’ Retirement System
Required Supplementary Information

Last Ten Years (In Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Satutorily required contribution	\$ 509	\$ 497	\$ 415	\$ 367	\$ 427	\$ 491	\$ 395	\$ 361	\$ 325	\$ 290
Contributions in relation to the statutorily required contributions	<u>(509)</u>	<u>(497)</u>	<u>(415)</u>	<u>(367)</u>	<u>(427)</u>	<u>(491)</u>	<u>(395)</u>	<u>(361)</u>	<u>(325)</u>	<u>(290)</u>
Contribution Deficiency (Excess)	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
District’s covered payroll	\$ 5,387	\$ 5,265	\$ 4,648	\$ 4,101	\$ 4,782	\$ 5,497	\$ 4,423	\$ 4,164	\$ 4,027	\$ 4,173
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying Independent Auditor’s Report

Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2020

Changes of benefit terms

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

**Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes
Required Supplementary Information**

For the Last Three Years

	2020	2019	2018
Service cost.....	\$ 30,538	\$ 33,901	\$ 32,834
Interest	13,207	13,189	12,591
Differences between expected and actual experience ...	(11,155)	---	35,706
Changes of assumptions	1,519	---	53,558
Benefit payments	<u>(19,581)</u>	<u>(30,748)</u>	<u>28,798</u>
Net Change in Total OPEB Liability	14,528	16,342	105,891
Total OPEB Liability – Beginning of Year	<u>366,233</u>	<u>349,891</u>	<u>244,000</u>
Total OPEB Liability – End of Year	<u>\$ 380,761</u>	<u>\$ 366,233</u>	<u>\$ 349,891</u>
Covered Employee Payroll.....	\$ 4,975,814	\$ 4,874,272	\$ 4,720,845
Total OPEB Liability as a Percentage of Covered Employee Payroll	7.65%	7.51%	7.41%

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms

There were no significant changes in benefit terms.

Changes in assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period.
The following are the discount rates used in each period.

Year ended June 30, 2020	3.51%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	2.50%

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds

Year Ended June 30, 2020

	Special Revenue		
	Student Activity	Management Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 65,290	\$ 1,021,822	\$ 1,087,112
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	-	90	90
Succeeding year	-	9,999	9,999
Accounts	6,916	-	6,916
Total Assets	72,206	1,031,911	1,104,117
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 1,724	\$ -	\$ 1,724
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	-	9,999	9,999
Fund Balances			
Restricted for:			
Student activities	70,482	-	70,482
Management levy purposes	-	1,021,912	1,021,912
Total Fund Balances	70,482	1,021,912	1,092,394
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 72,206	\$ 1,031,911	\$ 1,104,117

See accompanying independent auditor's report

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds

Year Ended June 30, 2020

	Special Revenue		
	Student Activity	Management Levy	Total
Revenue			
Local Sources			
Local tax	\$ -	\$ 9,866	\$ 9,866
Other	189,251	12,061	201,312
State sources	-	173	173
Total Revenue	189,251	22,100	211,351
Expenditures			
Current			
Instruction			
Regular	-	58,621	58,621
Other	161,045	-	161,045
Total Instruction	161,045	58,621	219,666
Support Services			
Operation and maintenance of plant	-	56,309	56,309
Transportation	-	12,113	12,113
Total Support Services	-	68,422	68,422
Non-Instructional Programs			
Food service operations	-	3,888	3,888
Total Expenditures	161,045	130,931	291,976
Revenue Under Expenditures	28,206	(108,831)	(80,625)
Other Financing Sources			
Transfers in	3,272	-	3,272
Change in Fund Balances	31,478	(108,831)	(77,353)
Fund Balances - Beginning of Year	39,004	1,130,743	1,169,747
Fund Balances - End of Year	\$ 70,482	\$ 1,021,912	\$ 1,092,394

See accompanying independent auditor's report

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2020

Account	Balance- Beginning of Year	Revenue	Expenditures	Intra-Fund Transfers In (Out)	Balance End of Year
Athletics	\$ -	\$ 17,500	\$ 5,293	\$ (10,207)	\$ 2,000
Drama	3,910	381	2,566	-	1,725
Vocal Activity	918	4,569	7,261	1,774	-
Elementary Chorus	5,023	-	70	-	4,953
Band Activity	-	3,064	3,879	815	-
Elementary Band	2,112	-	-	-	2,112
NY Trip-Bank/Vocal	-	10,808	5,546	-	5,262
Cross Country	-	1,190	1,977	787	-
Basketball	-	11,446	11,782	336	-
Football	-	17,174	20,113	2,939	-
Soccer	-	7,867	7,136	-	731
Baseball	-	2,097	749	-	1,348
Track	-	2,200	4,319	2,119	-
Golf	-	1,000	66	-	934
Wrestling	(3,761)	6,163	4,178	1,776	-
Volleyball	-	3,154	4,046	892	-
Softball	(6,381)	7,390	1,630	621	-
Student Council	2,218	4,594	5,025	-	1,787
FFA	14,053	50,123	39,928	-	24,248
National Honor Society	431	3,958	4,516	127	-
Cheerleaders	-	3,729	2,368	-	1,361
Yearbook	14,341	10,665	9,552	-	15,454
Junior Class Prom	3,517	-	247	-	3,270
Coaches vs. Cancer	173	547	-	-	720
Jump Rope for Heart	-	528	528	-	-
Elementary Art	212	-	-	-	212
Elementary Activities	938	-	-	-	938
E-Sports	-	3,423	3,874	451	-
FCS (Snack Shack)	1,300	18,953	14,396	(2,430)	3,427
	<u>\$ 39,004</u>	<u>\$ 192,523</u>	<u>\$ 161,045</u>	<u>\$ -</u>	<u>\$ 70,482</u>

See Accompanying Independent Auditor's Report

Combining Balance Sheet – Capital Projects Fund Accounts

Year Ended June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 2,027,063	\$ 376,915	\$ 2,403,978
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	69,087	2,731	71,818
Succeeding year	-	320,994	320,994
Accounts	4,305	2,634	6,939
Total Assets	\$ 2,100,455	\$ 703,274	\$ 2,803,729
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 130,696	\$ 124,353	\$ 255,049
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	-	320,994	320,994
Fund Balances			
Restricted for:			
School infrastructure	1,969,759	-	1,969,759
Physical plant and equipment	-	257,927	257,927
Total Fund Balances	1,969,759	257,927	2,227,686
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,100,455	\$ 703,274	\$ 2,803,729

See Accompanying Independent Auditor's Report

**Combining Schedule of Revenue, Expenditures and Changes in Fund Balances –
Capital Projects Fund Accounts**

Year Ended June 30, 2020

	Capital Projects		
	Statewide, Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenue			
Local Sources			
Local tax	\$ -	\$ 307,725	\$ 307,725
Other	21,912	13,871	35,783
State sources	820,424	5,241	825,665
Total Revenue	842,336	326,837	1,169,173
Expenditures			
Current			
Instruction			
Regular	-	518	518
Other	35,331	-	35,331
Total Instruction	35,331	518	35,849
Support Services			
Instructional staff	279,644	93,197	372,841
Administration	-	123,110	123,110
Operation and maintenance of plant	-	891	891
Transportation	97,429	1,599	99,028
Total Support Services	377,073	218,797	595,870
Other Expenditures			
Facilities acquisition	1,040,772	190,350	1,231,122
Total Expenditures	1,453,176	409,665	1,862,841
Change in Fund Balances	(610,840)	(82,828)	(693,668)
Fund Balances - Beginning of Year	2,580,599	340,755	2,921,354
Fund Balances - End of Year	\$ 1,969,759	\$ 257,927	\$ 2,227,686

See Accompanying Independent Auditor's Report

Combining Schedule of Fiduciary Net Position –
Private Purpose Trust Fund – Scholarship Accounts

June 30, 2020

	Belmond- Klemme Foundation Scholarship	Barkema Scholarship	LB Cox Scholarship	Courson Scholarship	Heginger Scholarship	Howell Scholarship	Solomon Scholarship	Leinbach Scholarship	Mattison Scholarship	Wachenheim Scholarship	Stockseth Scholarship	Total
Assets												
Cash, cash equivalents and pooled investments	\$ 1,162,587	\$ 73,197	\$ 5,154	\$ 2,089	\$ 40,148	\$ 163,556	\$ 10,746	\$ 10,263	\$ 10,396	\$ 6,178	\$ 82,416	\$ 1,566,730
Accounts receivable	<u>1,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,173</u>
Total Assets	<u>\$ 1,163,760</u>	<u>\$ 73,197</u>	<u>\$ 5,154</u>	<u>\$ 2,089</u>	<u>\$ 40,148</u>	<u>\$ 163,556</u>	<u>\$ 10,746</u>	<u>\$ 10,263</u>	<u>\$ 10,396</u>	<u>\$ 6,178</u>	<u>\$ 82,416</u>	<u>\$ 1,567,903</u>
Liabilities and Net Position												
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position												
Reserved for scholarships	<u>1,163,760</u>	<u>73,197</u>	<u>5,154</u>	<u>2,089</u>	<u>40,148</u>	<u>163,556</u>	<u>10,746</u>	<u>10,263</u>	<u>10,396</u>	<u>6,178</u>	<u>82,416</u>	<u>1,567,903</u>
Total Liabilities and Net Position	<u>\$ 1,163,760</u>	<u>\$ 73,197</u>	<u>\$ 5,154</u>	<u>\$ 2,089</u>	<u>\$ 40,148</u>	<u>\$ 163,556</u>	<u>\$ 10,746</u>	<u>\$ 10,263</u>	<u>\$ 10,396</u>	<u>\$ 6,178</u>	<u>\$ 82,416</u>	<u>\$ 1,567,903</u>

See accompanying Independent Auditor’s Report

Combining Schedule of Changes Fiduciary Net Position –
Private Purpose Trust Fund – Scholarship Accounts

June 30, 2020

	Belmond- Klemme Foundation Scholarship	Barkema Scholarship	LB Cox Scholarship	Courson Scholarship	Heginger Scholarship	Howell Scholarship	Solomon Scholarship	Leinbach Scholarship	Mattison Scholarship	Wachenheim Scholarship	Stockseth Scholarship	Total
Additions												
Investment income	\$ 30,798	\$ 299	\$ 137	\$ 61	\$ 1,031	\$ 1,515	\$ 246	\$ 282	\$ 233	\$ 126	\$ 1,754	\$ 36,482
Gifts and contributions	31,820	50,000	-	-	-	-	-	-	20	-	-	81,840
Total additions	62,618	50,299	137	61	1,031	1,515	246	282	253	126	1,754	118,322
Deductions												
Scholarships	45,400	28,500	150	100	1,250	4,500	250	250	250	250	1,500	82,400
Excess (Deficiency) of Additions Over (Under) Deductions	17,218	21,799	(13)	(39)	(219)	(2,985)	(4)	32	3	(124)	254	35,922
Other Financing Sources (Uses)												
Unrealized gains (losses)	(85,194)	-	-	-	-	-	-	-	-	-	-	(85,194)
Change in net position	(67,976)	21,799	(13)	(39)	(219)	(2,985)	(4)	32	3	(124)	254	(49,272)
Net position beginning of year	1,231,736	51,398	5,167	2,128	40,367	166,541	10,750	10,231	10,393	6,302	82,162	1,617,175
Net position end of year	\$ 1,163,760	\$ 73,197	\$ 5,154	\$ 2,089	\$ 40,148	\$ 163,556	\$ 10,746	\$ 10,263	\$ 10,396	\$ 6,178	\$ 82,416	\$ 1,567,903

See accompanying Independent Auditor’s Report

Schedule of Revenue by Source and Expenditures by Function –
All Governmental Fund Types

Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue										
Local Sources										
Local tax	\$ 4,792,274	\$ 5,448,499	\$ 4,602,018	\$ 4,352,702	\$ 4,453,237	\$ 4,236,114	\$ 4,366,627	\$ 4,851,953	\$ 4,802,826	\$ 4,475,820
Tuition	559,527	552,353	349,500	345,964	301,457	440,850	315,011	300,541	349,312	353,119
Other	422,331	559,530	562,262	296,287	274,944	249,591	295,501	272,575	373,550	1,236,365
State sources	5,891,670	5,130,298	5,956,624	5,804,164	5,235,148	5,373,654	4,983,750	3,954,075	3,724,890	3,559,921
Federal sources	378,215	387,282	354,611	475,723	408,988	385,465	338,262	265,179	436,666	532,457
Total	\$ 12,044,017	\$ 12,077,962	\$ 11,825,015	\$ 11,274,840	\$ 10,673,774	\$ 10,685,674	\$ 10,299,151	\$ 9,644,323	\$ 9,687,244	\$ 10,157,682
Expenditures										
Instruction										
Regular	\$ 3,797,404	\$ 4,059,873	\$ 3,828,585	\$ 3,866,134	\$ 3,702,666	\$ 3,949,568	\$ 3,099,138	\$ 3,077,919	\$ 3,057,812	\$ 2,978,080
Special	1,618,350	1,588,380	1,597,940	1,370,211	1,318,125	1,167,287	1,120,291	1,267,997	1,211,181	1,179,599
Other	1,836,483	1,815,609	1,851,569	1,805,050	1,538,484	1,398,232	1,405,033	1,179,557	1,004,978	978,773
Support Services										
Student	256,159	240,257	168,265	196,772	202,579	159,920	173,396	103,640	80,984	155,758
Instructional staff	591,565	602,013	512,098	434,255	546,015	472,883	624,406	444,635	332,317	486,114
Administration	1,032,176	994,138	1,060,249	757,256	887,128	867,469	752,501	606,408	538,111	622,255
Operation and maintenance of plant	57,200	35,231	646,965	610,021	618,836	615,345	623,675	559,673	534,048	589,820
Transportation	974,149	1,146,893	323,158	367,875	334,575	694,690	321,009	367,874	285,421	383,646
Non-instructional programs	3,888	3,257	4,024	5,872	11,855	11,206	7,100	5,717	4,918	3,682
Other Expenditures										
Facilities acquisition	1,231,122	652,700	162,808	335,572	105,597	241,849	244,709	28,727	1,337,814	3,680,808
Long-Term Debt										
Principal	690,000	985,000	820,932	999,239	986,475	645,527	550,000	855,000	510,000	250,000
Interest and fiscal charges	23,983	35,153	44,765	64,376	73,769	125,812	225,603	236,055	272,253	253,359
AEA flowthrough	363,665	362,934	363,989	347,828	342,476	341,722	314,285	287,837	287,967	314,142
Total	\$ 12,476,144	\$ 12,521,438	\$ 11,385,347	\$ 11,160,461	\$ 10,668,580	\$ 10,691,510	\$ 9,461,146	\$ 9,021,039	\$ 9,457,804	\$ 11,876,036

See accompanying Independent Auditor’s Report

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Education
Belmond-Klemme Community School District
Belmond, Iowa

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Belmond-Klemme Community School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued my report thereon dated November 11, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Belmond-Klemme Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Belmond-Klemme Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Belmond-Klemme Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, I identified certain deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying schedule of findings as item I-A-20 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying schedule of findings as item I-B-20 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Belmond-Klemme Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Belmond-Klemme Community School District's Responses to the Findings

The Belmond-Klemme Community School District's responses to the findings identified in my audit are described in the accompanying schedule of findings. Belmond-Klemme Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RACHELLE K. THOMPSON, CPA, PLLC
Hampton, IA

November 11, 2020

Schedule of Findings

Year Ended June 30, 2020

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition – An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person. In addition, preparing and reconciling of financial reporting are all done by the same person.

Cause – The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Auditor's Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The district has made several process changes to improve the segregation of duties. Management continues to review procedures and implement additional controls where possible.

Auditor's Conclusion – Response accepted.

I-B-20 Negative Lunch Account Balances

Criteria – Management is responsible for implementing and maintaining policies and procedures related to the collection of revenue for meals served by the School Nutrition Program.

Condition – It was noted during the audit the School Nutrition Fund appears to be carrying numerous negative student and adult lunch account balances on its books as of June 30, 2020.

Schedule of Findings

Year Ended June 30, 2020

Cause – The District's policies and procedures do not appear to currently ensure adequate collection of revenue earned for meals served which enables patrons to accumulate deficit balances.

Effect – Potentially ineffective or unenforced policies and procedures over lunch account revenue and related balances could result in the District foregoing or not collecting revenue to which it is entitled for meals served.

Auditor's Recommendation – The District should review its policies and procedures regarding the treatment of deficit student lunch account balances aimed at discouraging accounts from becoming excessively negative. The District should try various collection techniques to collect the balances owed.

Response – The District has been working to reduce these deficits since implementing an updated policy which took effect September of 2017. The District will continue to explore options for reducing and eliminating lunch debts.

Auditor's Conclusion – Response accepted.

Part II: Other Findings Related To Required Statutory Reporting:

- II-A-20** **Certified Budget** – Expenditures for the year ended June 30, 2020 did not exceed the certified budget.
- II-B-20** **Questionable Expenditures** – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-20** **Travel Expense** – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-20** **Business Transactions** – No business transactions between the District and District officials or employees were noted.
- II-E-20** **Restricted Donor Activity** – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-20** **Bond Coverage** – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-G-20** **Board Minutes** – No transactions were found that I believe should have been approved in the Board minutes but were not.
- II-H-20** **Certified Enrollment** – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-20** **Supplementary Weighting** – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Schedule of Findings

Year Ended June 30, 2020

- II-J-20 Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-K-20 Certified Annual Report** – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-L-20 Categorical Funding** – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-M-20 Statewide Sales, Services and Use Tax** – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,580,599
Revenue		
Statewide sales, services and use tax revenue	\$ 820,424	
Other local revenue	<u>21,912</u>	842,336
Expenditures/Transfers Out		
School infrastructure construction	\$ 1,040,772	
Equipment	97,429	
Other	<u>314,975</u>	<u>1,453,176</u>
Ending Balance		<u>\$ 1,969,759</u>

For the year ended June 30, 2020, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-N-20 Deficit Balances** – At June 30, 2020, the District had a deficit unrestricted net position of \$2,325,741 in the governmental activities and a deficit unrestricted net position and a total deficit net position in the business type activities, School Nutrition Fund of \$21,874 and \$13,729, respectively. The primary reason for these deficit net positions is the effect of GASB Statements No. 68 and 71.

Auditor's Recommendation – The District should investigate increasing meal rates to generate additional revenue or alternatives to decrease expenses in the School Nutrition Fund.

District's Response – The District has been making progress toward reducing these deficits. The District will continue to explore options to further reduce and eliminate deficit balances.

Auditor's Conclusion – Response accepted.